

Author: "Dan R. Greening" <greening@zuni.likeminds.com> at smtp-otcu-newyork  
Date: 8/28/97 4:22 PM  
Priority: Normal  
CC: Deepak MOORJANI at INVESTMENT-BANKING-NEWYORK  
TO: pfc@best.com at SMTP-OTCU-NEWYORK, greening@zuni.likeminds.com at SMTP-OTCU-NEWYORK  
CC: execs@zuni.likeminds.com at SMTP-OTCU-NEWYORK, tim@ora.com at SMTP-OTCU-NEWYORK,  
tmoore@verity.com at SMTP-OTCU-NEWYORK, jpederse@verity.com at SMTP-OTCU-NEWYORK,  
pnelson@best.com at SMTP-OTCU-NEWYORK, gsamoun@verity.com at SMTP-OTCU-NEWYORK  
Subject: Re: LikeMinds

Philippe,

Reach Steve Kanzler at 707-829-6540, also kanzler@likeminds.com.

We need addresses, faxes and NDAs from the evaluators.

With respect to the general idea of packaging: understand that installing this stuff requires configuration, an ODBC driver, a relational database, and a web server. This is why we view ourselves as more of an "solutions" company--like Tibco, Peoplesoft, SAP--than a "tools" company or a shrink-wrapped application company. We help the customer a lot.

Creating a more shrink-wrapped product would involve, as I suggested in our face-to-face meeting, providing an integrated database (using flat files) to get rid of the ODBC driver dependency, the customer need to install a database, and the configuration associated with these.

However, note that getting rid of the database and ODBC driver dependencies also means this is a product insuitable for installation at Fortune 1000 distributors and direct marketers, who already have installed databases they want to use.

In line with your suggestion, we are following a dual track approach: 1) Provide high-end solutions, which have significant intellectual property, to large companies that will see a significant bottom line improvement as a direct result of using our software. I.e., Pay-off period with our software should be under 1 year, and hopefully under 6 months. 2) Provide shrink-wrapped software applications that people can quickly install on their smaller web sites, which give visitors a personalized experience. This is the area where highly packaged software is required, and relates to where Verity, for example, is now with try-and-buy.

The vast revenue component is in high-end solutions. When we deliver a package to a high-end customer (currently our only package), it includes binaries, documentation, and a sample installation of MovieCritic. Your evaluators may be able to install the system in a day, if they are database people and have the necessary drivers. This is the package you will get.

Now you see why I believe this is a solutions company, not a tools company.

To some extent, I view Verity as more of a tools company. I think it would be a mistake to view LikeMinds as a tools company in the short term, and it should always have a significant component which is solution-oriented. We need to solve one or two specific vertical markets, and home in on those verticals. I think this is different from Verity's approach, which appears to be a more general (horizontal) one. This may be a key difference between NetPerceptions and LikeMinds. I don't know if this approach militates against a 1.5 year IPO or not. We should discuss this.

Our technology is a natural for vertical solution approaches because 1) there are too many interfaces (database, web page, ODBC driver, etc.) to



send out an SDK or CGI application, and expect the average customer to install without help. 2) the industries we are targeting (distributors, direct marketers, entertainment) do not have rocket-scientist programmers on board, because there's no portable prestige there [would you notice the resume of a programmer from QVC or Ingram?]. 3) there are specific problems within each space which require creative "connections" programming to make collaborative filtering relevant to the vertical. 4) those creative "connections" can be rubber-stamped to satisfy most members of the vertical.

Note that the competition from verticals comes from both direct competitors and the vertical itself. QVC could write this code themselves, patent violations be damned. This is why a customer entanglement strategy, as we have done with Levi's, is important. You make each exploration a no-brainer to the customer, but gradually infuse the organization with need for your product, and simultaneously expand the capabilities of the software so it satisfies more needs. At each step, we make sure our contribution to the customer is something that can be measured on the bottom line. And we exert internal pressures to productize the systems, so they may be sold to others in the vertical.

The end result allows you to charge a lot for the product, and builds important dependencies from the customer to LikeMinds. At this early stage in the collaborative filtering marketplace, this strategy is required to succeed. As the product matures, it becomes more shrink-wrapped, and eventually becomes try-and-buy software.

While saturating a vertical (as Verity has), if you do not simultaneously innovate in other areas contributing to customer bottom-lines, you may have a problem. I do not know enough about Verity to confirm this, but it may be one problem with Verity's approach. We must anticipate and even CREATE future demands and verticals through innovation pushed into products, such as the many-to-one marketing concepts we discussed, as well as our key-server system. These two products will have significant demand in the next three years, but we are not seeing significant demand now. Many-to-one requires a demo site for marketers to understand and believe, and it will be important to the long-term health of the company for LikeMinds to create such a site, either by convincing a customer to try it, or just doing it ourselves. Balance, of course, is required. The world is littered with dead companies who had a great idea a couple of years too early. At the same time, you don't want to create a one-shot high-technology company that has no chance of becoming as big as Oracle.

I want LikeMinds to be as big as Oracle. It can be, if it is bold and smart.

Well, this is a long-winded explanation of why our product will take a while to install. Still, perhaps it also articulates our market approach better than previous discussions.

Dan

At 11:25 AM 8/28/97 -0700, Philippe Courtot wrote:

>Dan,

>

>Thank you very much for your quick reply. I will pass my nondisclosure agreement to Tim, Phil and Jan. I would also like to extend the list to >Gilles Samoun.

>

>Gilles, who is currently VP and General Manager of Verity Europe has a >very strong technical background and is also very familiar with >"intelligent" datamining of user preferences and behaviors as he was >very involved with the work that Datamind and his founder Khai Ming Pham

>did. Khai Minh Pham is currently doing interesting work on creating  
>communities of interest around people preferences and pattern of  
>interest and visualizing the patterns. He could be a great addition to  
>the "technology board" we could create. Gilles also started programming  
>at 16 years old and he is now 32. Gilles will be in the US the second or  
>third week of September.

>

>I would love to meet with Steve. What is the number where I could reach  
>him?

>

>It is great news that the software is more packaged than I understood.  
>Could we have two evaluation copies of the software one for the here in  
>the US and one for Gilles in Europe.

>

>Thanks

>Philippe

>-----

>

>

>Dan R. Greening wrote:

>>

>> At 10:43 PM 8/27/97 -0700, Philippe Courtot wrote:

>>

>> > 5) there is a need to make a concerted effort to highly package the  
>> >software.

>>

>> Philippe, we did not share everything with you during this meeting,  
>> including a full set of bound documentation on Preference Server, and  
>> another white paper on our collaborative filtering technologies. I will  
>> share these with Jan, who you designated as your technical evaluator.

>>

>> > 7) there is a need to better understand NetPerceptions  
technology and business model

>>

>> I think we understand this fairly well from talking to customers. They are  
>> a strong contender, and they are adaptive (unlike Firefly). However, as  
>> QVC said to us, LikeMinds understands the backoffice/frontoffice synergies  
>> far better than NetPerceptions. Firefly wasn't even on their radar screen.

>>

>> >Finally from a business standpoint my first instinct is that LikeMinds  
>> >should try to build quickly its revenue stream by targeting key accounts  
>> >( as it is already doing ) such as QVC, Levy, etc.. and try to be  
>> >profitable as quickly as possible. At the same time the company could be  
>> >very aggressive ( giving it away ) on the Internet side to create mind  
>> >share and derivative revenues at minimum investment. This why one of the  
>> >reasons why it is paramount to have a product very easy to install, to  
>> >operate and to maintain.

>>

>> I think this second approach is a wise one, but of course requires capital.  
>> We have been in discussions with Microsoft about embedding our software in  
>> their Site Server system, with free functionality for web applications.  
>> The details of what would be free and what would be ours is of course  
>> subject to discussion. Our dealings with Microsoft would be enhanced by  
>> providing some free software on our site, to show we have it and people are  
>> using it. However, due to resource constraints we haven't done this yet.

>>

>> Steve Kanzler, who you should meet, is our EVP of Marketing/Sales who  
>> pushed this strategy and has key contacts within Microsoft (and he knows  
>> Bill Gates also). When we visit Microsoft (which we have done twice now),  
>> half the people we meet know Steve from when he was Director of Marketing  
>> for Windows/NT. Much of my market understanding comes from Steve and Linda  
>> Della. You need to leverage Steve's talents.



```
>>
>> >My schedule is to try to have by the end of next week enough information
>> >so from both side are convince that we can reach an agreement which make
>> >sense for all of us, then finish the due process by September 15 so I
>> >could go and take some vacations which in that case I will reduce down
>> >to three weeks.
>>
>> This could be very fun.
>>
>> I have added execs@likeminds.com = (Mark Jacobsen = LM CEO, Steve Kanzler =
>> EVP Marketing/Sales, Linda Della = VP Marketing, Jim Doubeck = VP
>> Engineering) and Tim O'Reilly = current board chairman to this thread. I
>> also cc:ed them on other threads.
>>
>> HOWEVER PLEASE NOTE: We are under mutual NDA with Philippe. I don't know
>> about the arrangements you have, Philippe, with the other people on this
>> list.
>>
>> Tim, Jan, and Phil have you signed non-disclosure agreements with Philippe
>> or SocGen?
>>
>> Dan Greening, Ph.D.          CTO, LikeMinds, Inc.          10164 Parkwood Dr.
Suite 8
>> greening@likeminds.com 408-996-1115 fax 865-0571  Cupertino, CA 95014
>>
-----
>> Tools that help people decide.
http://www.likeminds.com/
>
>
Dan Greening, Ph.D.          CTO, LikeMinds, Inc.          10164 Parkwood Dr. Suite 8
greening@likeminds.com 408-996-1115 fax 865-0571  Cupertino, CA 95014
-----
Tools that help people decide.          http://www.likeminds.com/
```